

AUDIT OF FINANCIAL REPORTS OF STOCK MARKET PARTICIPANTS AND ITS  
IMPROVEMENT

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**Abstract:** *The article reveals that corporate structures also often raise funds from the securities market to finance investment projects. For this purpose, raising funds through an open subscription placement of shares is one of the most popular and proven methods in the world. The number of companies that have expressed their desire to carry out the process of placing shares on international stock exchanges by open subscription is increasing worldwide. The volume of domestic and foreign investments that attract financial resources through the process of placing shares on international stock exchanges by open subscription is increasing. Placing shares on international stock exchanges by open subscription is an attraction of investments as a result of an initial public offering of shares to a wide range of investors, newly issued shares and their placement on the stock market. The capital market (securities market) is a key link in the financial system, ensuring its stability and increasing the country's competitiveness.*

**Key words:** *monetary policy, international financial market, commercial banks, development strategy, financial stability, Central Bank, inflation, loan deposits, problem loans, capital adequacy, stress tests, resources, financial system, possible losses.*

### Introduction

The capital market (stock market) is a key element of the financial system, ensuring its stability and increasing the country's competitiveness. Therefore, in developed countries, it is widely used as one of the main means of attracting investment to the economy. Because the economy needs funds and investments for development. The capital market plays an important role in attracting idle funds of the population to the sectors of the economy and increasing the flow of foreign direct investment. In turn, the entry of the stock market into competition with the credit market as an integral part of the financial market creates a unique competitive environment in the capital market. This benefits the economy and, in addition, the population, due to the increase in welfare.

As a result, a steady increase in the state's share was observed, and currently, as noted at the meeting, 85 percent of the shares of 605 joint-stock companies belong to the state. The activity of the population and investors in the stock market is also not up to the required level, since only 5 percent of the shares of 105 companies participate in the stock market. In general, it should be noted that we are practically not using the important features of the stock market<sup>31</sup>.

Any foreign investor evaluates the economy based on the situation in the stock market and makes a decision on whether to invest or not. If the stock market is developed, the investor will not have any hesitation. Because in a country with a developed stock market, the rights of investors are guaranteed, and their interests are comprehensively protected. Because if the capital market does not develop, all efforts to form a competitive economy and increase investment activity will be ineffective. In the process of using fundraising methods, an important issue is the objective assessment of financial

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statements and their objective evaluation. Audit organizations play a key role in this process. Because in verifying the accuracy of financial statements on the activities of corporate structures and providing them with an objective assessment, financial reporting indicators are audited on the basis of a contract concluded with audit organizations and an objective assessment is given to them.

As a result of the special attention paid to the development of auditing activities in the Republic of Uzbekistan, the scope of professional services of audit organizations has expanded, and today they fully implement the work of converting national financial statements of joint-stock companies and other business entities in our country to international financial reporting standards, which, in turn, allows attracting foreign investors to the authorized capitals of joint-stock companies and further developing the corporate governance system. Today, audit organizations, joint-stock companies, banks and credit organizations, insurance companies, investment and mutual funds, stock and commodity exchanges, charity funds and other social funds are required to undergo mandatory audits every year based on the requirements of the Law "On Auditing Activities". The stock market participants may choose the most appropriate model from the above models to verify their financial instruments.

When verifying the objectivity of management's valuation of financial instruments, the auditor pays attention to the following:

- It may consider that current transactions reflect binding transactions, not transactions concluded between a buyer and a seller. In this case, it may not be possible to compare prices;
- It may analyze the future cash flows of the instrument. This may be taken as an indicator of the most appropriate valuation data;
- It may be possible to compare prices within a portfolio of financial instruments, thereby ensuring that they are consistent among similar financial instruments;
- It may be possible to use more than one model to confirm the results of each of them, taking into account the data and assumptions used in each of them;
- It may be possible to evaluate changes in prices for relevant hedging instruments and collateral.

In many large entities, the internal audit function may perform work that enables management and those charged with governance to review and evaluate the entity's controls over the use of financial instruments. The extent to which the internal audit function has knowledge and skills to cover the entity's financial instrument activities, as well as the internal audit function's authority and objectivity, is a relevant consideration for the external auditor in determining whether the internal audit function's is likely to be relevant to the overall audit strategy and audit plan.

Areas in which the internal audit function's work may be particularly relevant include:<sup>34</sup>

- Obtaining a general understanding of the extent of the use of financial instruments;
- Evaluating the appropriateness of policies and procedures and management's adherence to them;
- Evaluating the operational effectiveness of financial instrument control activities;
- Evaluating the systems related to financial instrument activities; and
- assessing the identification, measurement and management of new risks associated with financial instruments.

Auditors may perform some tests of models at an interim date, for example by comparing the model output to market transactions. Another possible interim procedure for instruments with observable data is to test the appropriateness of pricing information provided by a third-party pricing source.

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Many audit procedures can be used to address a range of representations. For example, the rules for addressing the existence of an account balance at the end of a period address the occurrence of a series of transactions and may also assist in determining appropriate termination. This is because financial instruments are based on legal contracts and by examining the accuracy of the recording of a transaction, the auditor can both verify its existence and obtain evidence to support both the occurrence and the representation of rights and obligations. **Conclusion.**

When scientifically substantiating and calculating indicators characterizing the financial stability of enterprises, it is advisable to pay attention to the specific characteristics of the enterprise, that is, the industry in which it operates and its specialization. In order to scientifically substantiate financial stability and classify its indicators, it is necessary to take into account the specific features of the object (industry and sector) being studied. At the same time, the company that places securities does not have the ability to reduce the impact of the macroeconomic component. The author has explained in detail the importance of macroeconomic analysis in making decisions about investing in securities. In the Republic of Uzbekistan, along with financial statements, participants in the stock market also calculate and submit certain coefficients on the financial condition. These coefficients may vary.

In our opinion, financial analysts and auditors should pay special attention to the following issues during the audit of the company's securities:

- 1) It is necessary to pay attention to the changes in the balance of own funds (authorized capital, contributed capital, reserve capital, undistributed profit, grants, subsidies and other types of reserves) in the first section of the passive part of the balance sheet, and to check its turnover during the reporting period;
- 2) During the audit, the composition of private capital, its correct organization, the accuracy of the registration of relevant documents, and the maintenance of accounting in accordance with the requirements of the law are checked.

In our opinion, fundamental analysis is an assessment of various internal and external factors affecting the financial and economic activities of the company, and its results reflect the market value of the company's securities. Therefore, based on the above findings, the main purpose of fundamental analysis is to determine the current market value of securities and make appropriate investment decisions as a result of its subsequent monitoring.

Areas in which the activities of the internal audit service may be particularly relevant are:

- obtaining a general understanding of the scope of use of financial instruments;
- assessing the appropriateness of policies and procedures and management's compliance with them;
- assessing the operational effectiveness of financial instrument control activities;
- assessing the systems related to financial instrument activities; and
- assessing the identification, assessment and management of new risks related to financial instruments.

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